

AR44

H. G. & P. L.
FEB 15 1965

A copy of this prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act (Canada).

This prospectus is not, and under no circumstances is to be construed as, a public offering of any of these shares for sale in the United States of America or in the territories or possessions thereof.

Dale-Ross Holdings Limited

(Dale and Company Ltd)

200,000 6% Cumulative Redeemable

Preferred Shares Series A

200,000 Common Shares

Prospectus

DEACON FINDLEY COYNE
Limited

181 BAY STREET

TORONTO 1, ONT.

EMpire 2-4492

A copy of this prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act (Canada).

This prospectus is not, and under no circumstances is to be construed as, a public offering of any of these shares for sale in the United States of America or in the territories or possessions thereof.

NEW ISSUE

200,000 Preferred Shares and 100,000 Common Shares

Dale-Ross Holdings Limited

(Incorporated under the laws of Canada)

**6% Cumulative Redeemable Preferred Shares Series A
of the Par Value of \$10 each
and**

Common Shares Without Nominal or Par Value

Offered in units consisting of 2 Preferred Shares and 1 Common Share

The 6% Cumulative Redeemable Preferred Shares Series A (hereinafter sometimes called the "Preferred Shares Series A") offered hereby are to be preferred as to capital and dividends. Fixed cumulative preferential cash dividends at the rate of 6% per annum as and when declared by the Board of Directors, are to be payable quarterly on the fifteenth days of March, June, September and December in each year, commencing on the fifteenth day of March, 1965, by cheque payable at par at any branch of the Company's bankers in Canada. The Preferred Shares Series A are to be redeemable at the Company's option at any time in whole or from time to time in part on at least 30 days' notice at \$10.60 per share together with all accrued and unpaid preferential dividends thereon. The voting rights, preferences, restrictions, conditions and limitations to be attached to the Preferred Shares Series A, including redemption rights, are set out in their entirety in the Statutory Information forming part of this prospectus.

Preferred Shares Series A Purchase Fund

A Preferred Share Series A Purchase Fund is to be provided as more fully described on page 15 in the Statutory Information in this prospectus.

Transfer Agent and Registrar:

The Royal Trust Company: Halifax, Montreal, Toronto, Winnipeg, Regina, Edmonton and Vancouver.

The listing on the Toronto Stock Exchange and the Montreal Stock Exchange of these Preferred Shares Series A and Common Shares has been approved subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

The offer of securities hereunder is made specifically subject to the satisfaction of all terms and conditions of the offer, referred to in paragraph (m) of the Statutory Information forming part hereof, to purchase all the outstanding common shares of Dale and Company (Limited) (herein sometimes referred to as "Dale") including acceptance of such offer by the holders of not less than 90% of the outstanding common shares of Dale, and the resale to the Company of such shares in accordance with the terms of the underwriting agreement referred to in paragraph (k) of the Statutory Information forming part hereof. In the event that the Company fails to acquire not less than 90% of the common shares of Dale as aforesaid, the purchase price paid in respect of securities offered hereby will be refunded to the purchasers in full.

We, as principals, offer the 200,000 Preferred Shares Series A and 100,000 Common Shares in units consisting of 2 Preferred Shares and 1 Common Share if, as and when issued by the Company and accepted by us, subject to prior sale or change in price and subject to the approval of all legal matters on our behalf by Messrs. Stevens, Hassard & Elliott, Toronto, and on behalf of the Company by Messrs. Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal.

PRICE: \$25 per Unit

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close subscription books at any time without notice. It is expected that interim share certificates for the Preferred Shares Series A and Common Shares will be available for delivery on or about December 10, 1964.

A copy of this prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act (Canada).

This prospectus is not, and under no circumstances is to be construed as, a public offering of these Common Shares for sale in the United States of America or in the territories or possessions thereof.

NEW ISSUE

100,000 Common Shares

Dale-Ross Holdings Limited

(Incorporated under the laws of Canada)

Common Shares without nominal or par value

Transfer Agent and Registrar:

The Royal Trust Company: Halifax, Montreal, Toronto, Winnipeg, Regina, Edmonton and Vancouver.

The 100,000 Common Shares without nominal or par value offered hereby are reserved for sale to senior employees of the Company and Dale and Company (Limited) (herein sometimes referred to as "Dale") and its subsidiaries, and are not available for public subscription.

The listing on the Toronto Stock Exchange and the Montreal Stock Exchange of these Common Shares has been approved subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

The offer of securities hereunder is made specifically subject to the satisfaction of all terms and conditions of the offer, referred to in paragraph (m) of the Statutory Information forming part hereof, to purchase all the outstanding common shares of Dale including acceptance of such offer by the holders of not less than 90% of the outstanding common shares of Dale, and the resale to the Company of such shares in accordance with the terms of the underwriting agreement referred to in paragraph (k) of the Statutory Information forming part hereof. In the event that the Company fails to acquire not less than 90% of the common shares of Dale as aforesaid, the purchase price paid in respect of securities offered hereby will be refunded to the purchasers in full.

We, as principals, offer these Common Shares without nominal or par value, subject to prior sale and change in price, if, as and when accepted by us and subject to the approval of all legal matters on our behalf by Messrs. Stevens, Hassard & Elliott, Toronto, and on behalf of the Company by Messrs. Howard, Cate, Ogilvy, Bishop, Cope, Porteous & Hansard, Montreal.

PRICE: \$5 per Share

It is expected that interim share certificates will be available for delivery on or about December 10, 1964.

Mr. Sidney Melville Ross, the President of the Company, has supplied the following information.

The Company

Dale-Ross Holdings Limited (hereinafter sometimes referred to as the "Company") was incorporated under the laws of Canada by letters patent dated October 29, 1964, primarily to hold the outstanding shares of Dale and Company (Limited) (hereinafter sometimes referred to as "Dale").

Dale and Company (Limited)

Dale was incorporated under the laws of Canada in 1909 to succeed to the business established over one hundred years ago in Montreal under the name E. L. Bond. The firm became Bond, Dale and Company when, in 1901, E. L. Bond was joined in partnership by R. J. Dale of London, England. Upon the retirement of E. L. Bond, the firm became known as Dale and Company until its incorporation in 1909 under its present name.

Dale carries on business as insurance agents and insurance brokers and engages in related insurance activities at its head office in Montreal and in branch offices in Halifax, Toronto, Winnipeg, Edmonton, Calgary and Vancouver.

Dale does not underwrite insurance risks on its own account and is not registered as an insurance company. Dale, as general insurance agents, is the sole representative, within certain geographical areas, of a number of British and foreign insurance companies and is empowered, by virtue of exclusive agency agreements with such insurance companies, to conclude insurance contracts on their behalf. In acting as general agents, Dale is represented by over a thousand independent agents located across Canada who deal directly with assureds. In addition to acting as general agents as aforesaid, Dale represents in Canada a number of leading British and foreign general insurance companies on a non-exclusive basis.

In the capacity of insurance brokers, Dale transacts all types of general and marine insurance, representing no particular insurers but, acting in the direct interest of the assured in advising as to his insurance needs, places risks with a number of insurance companies and underwriters.

Dale remains today one of the largest marine insurance agents and brokers in Canada, transacting approximately one-quarter of the total yearly marine insurance business written in Canada.

Dale acts as managers of a number of British and foreign insurance companies, both marine and non-marine. These companies, instead of having offices in Canada, elect to have their Canadian operations managed by Dale, which, in this capacity, performs all the functions of a fully integrated insurance office.

With offices located in most of the principal cities in Canada, Dale is able to make its services available to a large number of diversified commercial and industrial concerns who rely upon Dale's personnel in the field to assess their insurance requirements and to service their insurance needs. By reason of this factor and of its position in the insurance business, Dale is enabled to negotiate favourable terms for its clients' insurance contracts. Dale places much of its general and marine business in the London, England, market.

Administrative Services

In addition to the principal business of negotiating insurance contracts, Dale, directly or through subsidiaries, earns fees and commissions in the performance of administrative functions including acting as adjusters and settling agents in automobile and marine insurance claims.

Dale Subsidiaries

Boyd, Phillips & Co. Limited, a wholly-owned subsidiary of Dale, incorporated under the laws of Canada and having its head office in Montreal and branch offices in Halifax and Vancouver, carries on business as average adjusters and marine surveyors.

Hall, Ormston & Company Limited is a wholly-owned subsidiary incorporated under the laws of Canada, having its head office in Montreal, and carries on business as insurance brokers.

Payne & Hardy Limited, a third wholly-owned subsidiary of Dale, incorporated under the laws of Ontario and having its head office in Hamilton, Ontario, engages in the business of insurance brokers and agents.

Management and Staff of Dale

The President of Dale is Sidney Melville Ross, who joined Dale in 1921 and succeeded his father as President in 1952. His father, C. Gilbert Ross, spent over sixty years in the insurance business.

Mr. Ross is supported by an experienced management group which directs a staff of approximately 360 people employed by Dale in offices throughout Canada.

In order to ensure continuity in management of the business of Dale, arrangements have been made whereby 100,000 common shares offered by this prospectus will be reserved for sale to senior employees of the Company and Dale and its subsidiaries.

Purchase of Shares of Dale

Deacon Findley Coyne Limited (hereinafter sometimes referred to as "Deacon"), which carries on the business of an investment dealer, has made an offer (hereinafter referred to as the "Offer") to the holders of all the outstanding 7,750 common shares without nominal or par value (hereinafter referred to as "common shares") in the capital stock of Dale for the purchase of their shares at the price of \$369 per share, upon and subject to certain terms and conditions set out in the Offer. Subject to the satisfaction of all the terms and conditions of the Offer, Deacon will take up all the common shares in respect of which the Offer shall have been accepted and, following the acquisition of such common shares, will cause Dale to declare a dividend on all its common shares in the amount of \$119 per share. The Company has entered into an agreement with Deacon that, upon the acquisition by Deacon of such common shares and following the payment of the dividend referred to above, the Company will purchase all of the common shares in respect of which the Offer shall have been accepted at a price per share representing the cost thereof to Deacon less the amount of the dividend received by Deacon on the common shares purchased by Deacon. The payment of the dividend by Dale, following the acquisition by Deacon of the control of Dale, will subject Dale to the payment of tax pursuant to certain provisions of the Income Tax Act (Canada).

Purpose of Issue

The purpose of the issue of the shares offered by this prospectus is to provide funds to pay the purchase price of the shares of Dale as referred to above. Out of the proceeds of the sale of the shares there will also be paid the expenses of the issue of the shares offered by this prospectus and of the acquisition of the shares of Dale, all as more specifically mentioned in the Statutory Information forming part of this prospectus. The balance of the proceeds will be available for possible expansion of the business and other corporate purposes of the Company and Dale and its subsidiaries.

Preferred Share Dividend Coverage

The annual dividend requirement for the 200,000 Preferred Shares Series A of the Company to be outstanding upon completion of this financing will amount to \$120,000, which amount will decrease as and when the Preferred Shares Series A are redeemed. The average consolidated net earnings of Dale and its subsidiaries available for dividends for the five years ended December 31, 1963, amounted to \$210,820 or 1.75 times such maximum requirements. For the year ended December 31, 1963, such earnings were \$223,389, or 1.86 times such maximum dividend requirements. Earnings for the seven months ended July 31, 1964, were \$172,707.

Capitalization

The capitalization of the Company, after giving effect to the present financing, will be as follows:

CAPITAL STOCK	Authorized	Issued
Preferred shares of the par value of \$10 each, issuable in series.	500,000	200,000 shares†
Common shares without nominal or par value.....	300,000	200,010 shares

†6% Cumulative Redeemable Preferred Shares Series A.

DALE AND COMPANY (LIMITED)
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings for the Ten Years and Seven Months Ended 31st July, 1964

Year Ended 31st December	Investment Income Including Profit or Loss on Sale of Investments	Consolidated Gross Earnings	Operating Expenses	Depreciation and Amortization of Cost of Insurance Agencies	Net Earnings before Taxes on Income	Taxes on Income	Consolidated Net Earnings
1954	\$ 1,664,732	\$ 10,814	\$1,675,546	\$1,516,933	\$ 29,291	\$129,322	\$ 68,174
1955	1,780,279	10,850	1,791,129	1,596,533	32,210	162,386	74,072
1956	1,906,933	12,135	1,919,068	1,700,703	34,408	183,957	84,052
1957	2,033,572	18,864	2,052,436	1,802,326	35,159	214,951	99,926
1958	2,321,873	21,573	2,343,446	1,969,831	41,225	332,390	146,863
1959	2,510,815	40,932	2,551,747	2,093,260	43,577	414,910	195,726
1960	2,729,317	27,040	2,756,357	2,295,542	51,839	408,976	203,850
1961	2,763,656	50,468	2,814,124	2,360,901	58,835	394,388	189,710
1962	2,882,807	49,483	2,932,290	2,473,197	61,390	397,703	195,979
1963	3,019,604	46,136	3,065,740	2,578,999	52,346	434,395	211,006
Seven Months ended 31st July, 1964	1,963,762	24,468	1,988,230	1,631,054	26,132	331,044	158,337
							172,707

To the Directors of DALE AND COMPANY (LIMITED)

NOTE: The above consolidated statement of earnings does not include the following:
(a) Net profits of \$1,305 in 1954 and \$1,910 in 1955 of a partially owned subsidiary company which was sold in 1956.
(b) Profit of \$4,000 on the sale of the subsidiary company noted in (a) above.
(c) Loss of \$17,538 on the winding-up of an associated company in 1963.

AUDITORS' REPORT

To the Directors of DALE AND COMPANY (LIMITED)
We have examined the consolidated statement of earnings of Dale and Company (Limited) and subsidiary companies for the ten years and seven months ended 31st July, 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for certain branches of the companies whose accounts have been examined and reported on by other chartered accountants. In our opinion, based on our examination and the reports of other chartered accountants referred to above, the accompanying consolidated statement of earnings together with the note thereto presents fairly the results of the operations of the companies for the ten years and seven months ended 31st July, 1964, in accordance with generally accepted accounting principles applied on a consistent basis throughout the period.

MONTREAL, QUEBEC.
27th November, 1964.

(Signed) WINSPEAR, HIGGINS, STEVENSON AND DOANE
Chartered Accountants.

DALE AND COMPANY (LIMITED)
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at 31st July, 1964

	Assets	
CURRENT		
Cash (including trust funds of \$79,669).....		\$1,208,685
Short term deposits.....		425,000
Marketable securities at cost (quoted market value \$876,666).....		821,549
Accounts receivable (includes \$7,316 from a director which is secured by a mortgage).		5,652,513
		8,107,747
FIXED		
Land, building, furniture and fixtures and automobiles (note 1).....		452,496
Less accumulated depreciation		271,393
		181,103
OTHER		
Office alterations less amounts written off.....		55,239
Note receivable (note 2).....		15,000
Purchase price of insurance agencies at cost.....		49,000
Goodwill		138,250
		257,489
		\$8,546,339
	Liabilities	
CURRENT		
Accounts payable (including trust funds of \$79,669).....		\$6,834,048
Income taxes payable.....		121,982
		6,956,030
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized		
102,550 1% Non-Cumulative Redeemable Preferred Shares of the par value of \$1. each.....		\$102,550
7,750 Common Shares without nominal or par value...		
Issued and fully paid		
7,750 Common Shares.....		155,000
Earned surplus.....		1,435,309
		1,590,309
		\$8,546,339

The accompanying notes appearing at the top of page 8 hereof are an integral part of this statement and should be read in conjunction therewith.

Approved on behalf of the board:

(Signed) S. M. Ross, Director

(Signed) W. M. ADAMS, Director

DALE AND COMPANY (LIMITED)
AND SUBSIDIARY COMPANIES

Notes to Consolidated Balance Sheet as at 31st July, 1964

Note 1

Details of fixed assets and accumulated depreciation are as follows:

Land at cost.....	\$ 6,417
Building at cost.....	33,723
Furniture and fixtures at net cost.....	283,493
Automobiles at cost.....	128,863
	<hr/>
Less accumulated depreciation.....	452,496
	<hr/>
	271,393
	<hr/>
	\$181,103

Furniture and fixtures are stated at cost of acquisitions from 1st January, 1953 to date, less proceeds of disposals.

Note 2

The note receivable of \$15,000 bears interest at 3½% per annum and is due on or before 23rd August, 1969.

DALE AND COMPANY (LIMITED)
AND SUBSIDIARY COMPANIES

**Consolidated Statement of Earned Surplus
for the period from 1st January, 1963 to 31st July, 1964**

	Year Ended 31st December, 1963	Seven Months ended 31st July, 1964
Balance at beginning of period.....	\$1,146,651	\$1,287,402
ADD		
Net earnings for the period.....	223,389	172,707
	<hr/>	<hr/>
	1,370,040	1,460,109
DEDUCT		
Dividends paid.....	65,100	24,800
Loss on the winding-up of an associated company.....	17,538	<hr/>
	<hr/>	<hr/>
	82,638	24,800
Balance at end of period.....	<hr/>	<hr/>
	\$1,287,402	\$1,435,309

AUDITORS' REPORT

To the Directors of

DALE AND COMPANY (LIMITED)

We have examined the consolidated balance sheet of Dale and Company (Limited) and subsidiary companies as at 31st July, 1964, and the consolidated statement of earned surplus for the period from 1st January, 1963 to 31st July, 1964, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for certain branches of the companies whose accounts have been examined and reported on by other chartered accountants.

In our opinion, based on our examination and the reports of other chartered accountants referred to above, the accompanying consolidated balance sheet together with the notes thereto and the consolidated statement of earned surplus are properly drawn up so as to present fairly the state of affairs of the companies as at 31st July, 1964, according to the best of our information and the explanations given to us and as shown by the books of the companies, which were maintained in conformity with generally accepted accounting principles applied on a basis consistent with that of the prior year.

(Signed) WINSPEAR, HIGGINS, STEVENSON AND DOANE
Chartered Accountants.

Montreal, Quebec.
27th November, 1964.

**DALE-ROSS HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES**

Pro Forma Consolidated Balance Sheet as at 31st July, 1964

THE PRO FORMA CONSOLIDATED BALANCE SHEET GIVES EFFECT TO THE FOLLOWING:

- (a) The incorporation of Dale-Ross Holdings Limited by letters patent dated 29th October, 1964, issued under the laws of Canada having an authorized share capital of 500,000 Preferred Shares of the par value of \$10 each, issuable in series, the first series consisting of 200,000 6% Cumulative Redeemable Preferred Shares Series A, and 300,000 Common Shares without nominal or par value.
- (b) The issue and sale of the following for a total cash consideration of \$3,000,050:

200,000 Preferred Shares Series A	\$2,000,000
200,010 Common Shares	\$1,000,050
- (c) The payment of a cash dividend of \$119 per share by Dale and Company (Limited) for a total amount of \$922,250 and the payment of a tax of \$136,633, being the tax on the portion of this dividend paid out of designated surplus in accordance with the provisions of Section 105B of the Income Tax Act (Canada).
- (d) The purchase by Dale-Ross Holdings Limited of 7,360 common shares of Dale and Company (Limited), being approximately 95% of the issued and outstanding common shares of that company, for a total cash consideration of \$1,840,000 and the payment of expenses estimated at \$25,000 relating to said purchase.
- (e) The payment of legal, audit, printing and other expenses estimated at \$50,000, and commissions of \$150,000 in connection with the issuance of shares of Dale-Ross Holdings Limited.
- (f) The repayment of a loan made to a director of a subsidiary in the amount of \$7,316.

Assets

CURRENT

Cash (including trust funds of \$79,669)	\$1,092,168
Short term deposits	425,000
Marketable securities at cost (quoted market value \$876,666)	821,549
Accounts receivable	5,645,197
	<u>7,983,914</u>

FIXED

Land, building, furniture and fixtures and automobiles (note 1)	452,496
Less accumulated depreciation	271,393
	<u>181,103</u>

OTHER

Office alterations less amounts written off	55,239
Note receivable (note 2)	15,000
Purchase price of insurance agencies at cost	49,000
Financing expenses including commission on sale of shares	200,000
Goodwill	138,250
Excess of cost of investment in subsidiary companies over book value at date of acquisition	1,360,317
	<u>1,817,806</u>
	<u>\$9,982,823</u>

Liabilities

CURRENT

Accounts payable (including trust funds of \$79,669)	\$6,834,048
Income taxes payable	121,982
	<u>6,956,030</u>

MINORITY INTEREST IN SUBSIDIARY COMPANIES

SHAREHOLDERS' EQUITY

Capital stock	
Authorized	
500,000 Preferred Shares of the par value of \$10 each, issuable in series	\$5,000,000
300,000 Common Shares without nominal or par value	
Issued and fully paid	
200,000 6% Cumulative Redeemable Preferred Shares Series A	\$2,000,000
200,010 Common Shares	1,000,050
	<u>3,000,050</u>
	<u>\$9,982,823</u>

The accompanying notes appearing at the top of page 10 hereof are an integral part of this statement and should be read in conjunction therewith.

Approved on behalf of the board:

(Signed) S. M. Ross, Director

(Signed) W. M. ADAMS, Director

**DALE-ROSS HOLDINGS LIMITED
AND SUBSIDIARY COMPANIES**

Notes to Pro Forma Consolidated Balance Sheet as at 31st July, 1964

Note 1

Details of fixed assets and accumulated depreciation are as follows:

Land at cost.....	\$ 6,417
Building at cost.....	33,723
Furniture and fixtures at net cost.....	283,493
Automobiles at cost.....	128,863
	<hr/>
	452,496
Less accumulated depreciation.....	271,393
	<hr/>
	\$181,103

Furniture and fixtures are stated at cost of acquisitions from 1st January, 1953 to date, less proceeds of disposals.

Note 2

The note receivable of \$15,000 bears interest at 3½% per annum and is due on or before 23rd August, 1969.

AUDITORS' REPORT

To the Directors of

DALE-ROSS HOLDINGS LIMITED

We have examined the pro forma consolidated balance sheet of Dale-Ross Holdings Limited and subsidiary companies as at 31st July, 1964 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for certain branches of the companies whose accounts have been examined and reported on by other chartered accountants.

In our opinion, based on our examination and the reports of other chartered accountants referred to above, the accompanying pro forma consolidated balance sheet together with the notes thereto is properly drawn up so as to present fairly the state of affairs of the companies as at 31st July, 1964, in accordance with generally accepted accounting principles and after giving effect to the assumptions on which it is based as set forth in the headnotes thereto.

(Signed) WINSPEAR, HIGGINS, STEVENSON AND DOANE
Chartered Accountants

Montreal, Quebec.
27th November, 1964.

Statutory Information

(a) The full name of the Company is DALE-ROSS HOLDINGS LIMITED (herein sometimes called the "Company"). The Company was incorporated under the Companies Act of Canada by letters patent dated October 29, 1964. The address of the head office of the Company is 1155 Dorchester Boulevard West, Montreal, Quebec.

(b) The names, descriptions, occupations and addresses of the directors, chief executive officers and auditors of the Company are as follows:

Directors

WILFRED McCLELLAND ADAMS.....	Executive.....	237 Dresden Avenue Mount Royal, Quebec
CRIS ARTHUR BIRD.....	Executive.....	2520 South West Marine Drive Vancouver, British Columbia
WILLIAM BOADEN BURNS.....	Executive.....	3000 Yonge Street Toronto, Ontario
DONALD ARTHUR JEWITT.....	Investment Dealer.....	1542 Stavebank Road North Port Credit, Ontario
SIDNEY MELVILLE ROSS.....	Executive.....	3497 Holton Avenue Montreal, Quebec

Chief Executive Officers

SIDNEY MELVILLE ROSS.....	President.....	3497 Holton Avenue Montreal, Quebec
CRIS ARTHUR BIRD.....	Vice-President.....	2520 South West Marine Drive Vancouver, British Columbia
WILLIAM BOADEN BURNS.....	Vice-President.....	3000 Yonge Street Toronto, Ontario
IAN ALEXANDER BALLANTYNE.....	Secretary-Treasurer.....	231 Kindersley Avenue Mount Royal, Quebec
ALBERT GORDON DOWD	Assistant Secretary-Treasurer..	6 Belgrave Avenue Toronto, Ontario

Auditors

WINSPEAR, HIGGINS, STEVENSON AND DOANE.....	Chartered Accountants.....	635 Dorchester Boulevard West Montreal, Quebec
--	----------------------------	---

The Royal Trust Company at its principal offices in the cities of Halifax, Montreal, Toronto, Winnipeg, Regina, Edmonton and Vancouver, Canada, is the transfer agent and registrar for the 6% Cumulative Redeemable Preferred Shares Series A of the par value of \$10 each and of the Common Shares without nominal or par value in the capital stock of the Company.

(c) The general nature of the business of the Company to be transacted is that of a holding company, more particularly for the holding of common shares of Dale and Company (Limited), (hereinafter sometimes referred to as "Dale") which carries on business directly and through subsidiaries as general insurance agents and insurance brokers.

(d) The authorized share capital of the Company consists of (i) 500,000 Preferred Shares of the par value of \$10 each, issuable in series, the first of which series consists of 200,000 shares designated 6% Cumulative Redeemable Preferred Shares Series A (hereinafter referred to as the "Preferred Shares Series A") and (ii) 300,000 Common Shares without nominal or par value (hereinafter sometimes referred to as "Common Shares"). At the date hereof, none of the Preferred Shares has been issued and 10 Common Shares have been issued at the price of \$5 per share and are outstanding as fully paid and non-assessable.

The respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits or capital of each class of shares of the Company including redemption rights and rights on liquidation or distribution of capital assets are as follows:

1. The Preferred Shares shall, in accordance with and subject to the provisions of subsections (1) to (4) inclusive of section 12 of the Companies Act, as now existing or hereafter amended, be issuable in series as hereinafter provided and each of the Preferred Shares shall rank *pari passu* as to payment of

dividends and repayment of capital as provided in said subsections of section 12 of the Companies Act. The directors of the Company shall have the right, by resolution, but subject to the provisions of said subsections of section 12 of the Companies Act as now existing or hereafter amended and subject to the provisions herein contained, to fix from time to time before issue the respective designations, rights, restrictions, conditions and limitations attaching to each series of the Preferred Shares, other than the 6% Cumulative Redeemable Preferred Shares Series A in respect of which the designation, rights, restrictions, conditions and limitations shall be as hereinafter provided.

2. The holders of the Preferred Shares shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors of the Company, out of the moneys of the Company properly applicable to the payment of dividends, fixed cumulative preferential cash dividends on the amounts, not exceeding the par value thereof, from time to time paid up thereon respectively and payable at such intervals as may be determined by the board of directors of the Company and confirmed by supplementary letters patent under the provisions of said subsections of section 12 of the Companies Act, as now existing or hereafter amended, in respect of each series prior to the issue of any Preferred Shares of such series. Such dividends shall accrue from such date as may in the case of each series be determined by the board of directors of the Company or in case no date be so determined then from the date of the issue thereof. Warrants or cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada shall be issued in respect of such dividends and payment thereof shall satisfy such dividends. If on any dividend payment date the dividends payable on such date are not paid in full on all of the Preferred Shares then issued and outstanding, such dividends or the unpaid part thereof shall be paid on a subsequent dividend payment date or dates on which the Company shall have sufficient moneys properly applicable to the payment of the same. The holders of the Preferred Shares shall not be entitled to any further or other dividends than those expressly provided for by the board of directors of the Company and confirmed by supplementary letters patent under the provisions of said subsections of section 12 of the Companies Act, as now existing or hereafter amended, in respect of each series prior to the issue of any Preferred Shares of such series. With respect to each series of Preferred Shares, dividends shall be paid to the registered holders appearing on the registers at the close of business on such a day preceding the day fixed for payment of the dividends as may be determined from time to time by the board of directors of the Company.

3. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding up its affairs, the holders of the Preferred Shares shall be entitled to receive the amount paid up on such shares (not exceeding the par value thereof) and an additional amount equal to the premium, if any, which would have been payable on said Preferred Shares respectively if they had been called for redemption by the Company on the date of distribution plus an amount equal to all unpaid preferential dividends (which for such purpose shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of distribution) before any amount shall be paid to or any property or assets of the Company distributed among the holders of the Common Shares or any other shares of the Company ranking junior to the Preferred Shares. After payment to the holders of the Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the property or assets of the Company.

4. Subject to the provisions of the Companies Act, the Company may at any time or times purchase (if obtainable) for cancellation the whole or any part of the Preferred Shares of any one or more series outstanding from time to time in the market or by invitation for tenders addressed to all holders of record of the series of Preferred Shares proposed to be purchased at a price not exceeding the lesser of the amount paid up thereon or the par value thereof respectively plus the premium, if any, which would have been payable thereon if said Preferred Shares had been redeemed by the Company on the date of such purchase plus an amount equal to all unpaid preferential dividends, which for such purpose shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of purchase, and plus costs of purchase. If upon any invitation for tenders under the provisions hereof, two (2) or more tenders of Preferred Shares at the same price are received, being a price which the Company is willing to pay, and such Preferred Shares when added to any such shares tendered at a lower price or prices aggregate more than the number of Preferred Shares to be purchased at such time, the Company shall, if it elects to purchase at such price, purchase *pro-rata* as nearly as may be, disregarding fractions, from the shareholders who have submitted such tenders at the same price, the number of Preferred Shares required to complete the number of such shares to be purchased at such time. From and after the date of purchase of any Preferred Shares under the provisions of this paragraph, the Preferred Shares so purchased shall be deemed to be redeemed and shall not be reissued.

5. Subject to the provisions of the Companies Act, the Company may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Preferred Shares of any or all series at a redemption price or prices consisting of the amount

paid up on such shares (not exceeding the par value thereof) and of such premium thereon, if any, as may have been fixed for that purpose by the board of directors of the Company and confirmed by supplementary letters patent under the provisions of said subsections of section 12 of the Companies Act, as now existing or hereafter amended, in respect of each series prior to the issue of any Preferred Shares of such series plus an amount equal to all unpaid preferential dividends, which for such purpose shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date fixed for such redemption. In case the Company desires to redeem part only of the Preferred Shares of any series, the shares of such series to be redeemed shall be selected by lot in such manner as the board of directors of the Company may determine with the approval of the transfer agent of the Company appointed in respect of the Preferred Shares or, if the board of directors so determine, may be redeemed *pro rata* disregarding fractions. No Preferred Shares redeemed pursuant to the foregoing provisions shall be reissued.

6. In case of any redemption of Preferred Shares under the provisions of the last preceding paragraph, the Company shall mail to each person who at the time of mailing is a registered holder of Preferred Shares to be redeemed a notice in writing of the intention of the Company to redeem such shares. Such notice shall be mailed so as to give such number of days notice of such redemption as shall have been determined by the board of directors of the Company and confirmed by supplementary letters patent under the provisions of said subsections of section 12 of the Companies Act, as now existing or hereafter amended, for that purpose in respect of the series of Preferred Shares being so redeemed in whole or in part prior to the time of the issue of any Preferred Shares of such series. Such notice shall be mailed in a prepaid registered letter addressed to each such holder at his address as it appears on the books of the Company or, in the event of the address of any such shareholder not so appearing, then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption as to other such holders. Such notice shall set out the redemption price, the place at which the redemption price is to be paid and the date on which redemption is to take place and, if part only of the Preferred Shares of any series held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed. On or before the date so specified for redemption, the Company shall deposit the redemption price of the Preferred Shares to be redeemed in a special account in any bank or trust company in Canada to be paid without interest to or to the order of the respective holders of such Preferred Shares upon presentation and surrender to such bank or trust company of the certificates representing the same. The name and address of such bank or trust company shall be included in the said notice. Provided such deposit shall have been made, such Preferred Shares so called for redemption shall on the date specified for redemption be and be deemed to be redeemed and shall not be reissued. If a part only of the Preferred Shares represented by any certificate be redeemed, a new certificate for the remainder shall be issued at the expense of the Company. Provided that the redemption price shall have been deposited as aforesaid, the Preferred Shares so called for redemption shall from and after the date specified for redemption cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof and their rights shall be limited to receiving, without interest, their proportionate part of the total redemption price so deposited against presentation and surrender of the certificates held by them respectively. If the redemption price shall not be deposited as aforesaid the rights of the holders of the Preferred Shares so called for redemption shall remain unaffected.

7. The holders of Preferred Shares shall not be entitled (except as hereinafter specifically provided) to receive notice of or to attend any meetings of shareholders of the Company and shall not be entitled to vote at any such meeting. If at any time the amount of accrued and unpaid cumulative preferential dividends on any of the Preferred Shares then outstanding shall equal or exceed a sum equal to one and one-half ($1\frac{1}{2}$) years' cumulative preferential dividends on such Preferred Shares, then, and in any such case, the holders of all the Preferred Shares, until such time as all accrued and unpaid dividends on all Preferred Shares shall have been paid, or declared and set apart for payment, shall be entitled to receive notice of all meetings of shareholders and to exercise one (1) vote thereat in respect of each Preferred Share held, and in addition shall be entitled, voting separately and exclusively as a class, to elect two (2) members of the board of directors of the Company if the board consists of five (5) or fewer directors or one-third ($\frac{1}{3}$) of the members of the board of directors if the board consists of more than six (6) directors or, if the total number be not evenly divisible by three (3), then the next highest number above one-third ($\frac{1}{3}$). Nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors.

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be directors of the Company at any time when the right to elect directors shall accrue to the holders of the Preferred Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect directors upon not less than twenty (20) days' written notice and which shall be called by the secretary of the Company upon the written request of the holders of record of at least one-tenth (1/10) of the outstanding Preferred

Shares. In default of the calling of such general meeting by the secretary within five (5) days after the making of such request, such meeting may be called by any holder of record of any Preferred Shares.

Any vacancy or vacancies occurring among members of the board elected to represent the holders of Preferred Shares, or which is or are to be filled by the votes of the holders of the Preferred Shares in accordance with the foregoing provisions, may be filled by the board of directors with the consent and approval of the remaining director or directors elected to represent the holders of Preferred Shares but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preferred Shares to fill the vacancy or vacancies. Whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-tenth (1/10) of the outstanding Preferred Shares shall have the right to require the secretary of the Company to call a meeting of the holders of Preferred Shares for the purpose of filling the vacancy or vacancies or replacing all or any of the persons elected or appointed to fill such vacancy or vacancies and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting.

Notwithstanding anything contained in the by-laws of the Company, (i) upon any termination of the voting rights of the holders of the Preferred Shares for the election of directors, the term of office of the directors elected or appointed to represent the holders of Preferred Shares shall forthwith terminate and (ii) the holding of one (1) Preferred Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of Preferred Shares.

8. The holders of the Preferred Shares shall not be entitled as of right to subscribe for or purchase or receive any part of any issue of any shares or of any bonds, debentures or other securities of the Company now or hereafter authorized, otherwise than in accordance with the exercise of the conversion or other rights, if any, which may from time to time attach to any series of the Preferred Shares.

9. Except with the approval of the holders of the Preferred Shares, the Company shall not create any class of shares ranking as to payment of dividends or repayment of capital prior to or *pari passu* with the Preferred Shares nor shall the authorized number of the Preferred Shares be increased.

10. The provisions hereinbefore contained and hereinafter in paragraph 11 contained may be repealed, modified, amended or amplified in whole or in part by supplementary letters patent but only with the approval of the holders of the Preferred Shares in addition to such other approval (including votes of other classes of shareholders) as may be required by the Companies Act.

11. The approval of the holders of the Preferred Shares as to any and all matters hereinbefore referred to may be given in writing by the holders of at least a majority of the outstanding Preferred Shares or by compromise or arrangement under the Companies Act or by resolution passed or by by-law sanctioned at a meeting of holders of Preferred Shares duly called for the purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Preferred Shares are present or represented by proxy and carried by not less than two-thirds ($\frac{2}{3}$) of the votes cast on a poll at such meeting. If at any such meeting the holders of a majority of the outstanding Preferred Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than fifteen (15) days later and to such time and place as may be appointed by the chairman of the meeting and at least ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by not less than two-thirds ($\frac{2}{3}$) of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares referred to above.

If the repeal, modification, amendment or amplification of the provisions hereinbefore contained especially affects the rights of the holders of Preferred Shares of any series in a manner or to an extent substantially different from that in or to which the rights of the holders of Preferred Shares of any other series are affected, then such repeal, modification, amendment or amplification shall, in addition, be approved by the holders of the Preferred Shares of such series so especially affected and the provisions of this paragraph 11 shall apply, *mutatis mutandis*, with respect to the giving of such approval.

At any meeting of the holders of Preferred Shares without distinction as to series, each holder of Preferred Shares shall be entitled to one (1) vote in respect of each Preferred Share held by him. At any meeting of the holders of Preferred Shares of any particular series, each holder shall be entitled to one (1) vote in respect of each Preferred Share of such series held by him.

The formalities to be observed with respect to the giving of notice of any meeting of holders of Preferred Shares and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders.

Two hundred thousand (200,000) of the Preferred Shares shall be designated "6% Cumulative Redeemable Preferred Shares Series A" (hereinafter called the "Preferred Shares Series A"). In addition and subject to the rights, restrictions, conditions and limitations attaching to the Preferred Shares as a

class, the rights, preferences, priorities, limitations, conditions and restrictions attaching to the Preferred Shares Series A shall be as follows:

A. The Preferred Shares Series A shall carry the right to a fixed cumulative preferential cash dividend at the rate of six per cent (6%) per annum, and no more, payable quarterly in lawful money of Canada on the fifteenth (15th) days of March, June, September and December in each year, the first payment to become due and payable on the fifteenth (15th) day of March, one thousand nine hundred and sixty-five (1965).

B. The Preferred Shares Series A shall be redeemable, at the option of the Company, in whole at any time or in part from time to time on not less than thirty (30) days' notice at a redemption price consisting of the amount of capital paid up thereon and a premium of six per cent (6%) of such amount paid up plus an amount equal to all unpaid preferential dividends which for such purpose shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date fixed for such redemption.

C. Unless all the outstanding Preferred Shares Series A have been called for redemption and the redemption price thereof has been deposited in accordance with the provisions of paragraph 6 of the rights, restrictions, conditions and limitations attaching to the Preferred Shares as a class:

(i) no dividends shall at any time be declared, or having been declared, be paid or set apart for payment on any shares of the Company, other than the Preferred Shares, unless all dividends on the Preferred Shares then outstanding accrued for all previous dividend periods and accrued and to accrue for the current dividend period shall have been declared and paid or set apart for payment on the Preferred Shares at the date of such declaration or payment or setting apart for payment on the said other shares;

(ii) the Company shall not call for redemption or purchase for cancellation or reduce capital with respect to any shares of the Company unless all dividends on the Preferred Shares then outstanding accrued for all previous dividend periods and accrued or to accrue for the current dividend period shall have been declared and paid or set apart for payment at the date of such call for redemption or purchase for cancellation or reduction of capital.

(iii) the Company shall on or before the first (1st) day of May in each year commencing with the year one thousand nine hundred and sixty-six (1966) set aside to the credit of a special account on the books of the Company and its Subsidiaries as a fund for the purchase of the Preferred Shares Series A an amount equal to the lesser of (aa) one per cent (1%) of the aggregate par value of all the then outstanding Preferred Shares Series A or (bb) ten per cent (10%) of the Consolidated Net Earnings of the Company and its Subsidiaries for the last preceding fiscal year of the Company less the aggregate of all dividends paid during such last preceding fiscal year on all Preferred Shares;

Provided that (a) any amount or amounts set aside in a special account as a purchase fund as aforesaid need not be kept separate from other moneys of the Company and its Subsidiaries and pending the use or application thereof for the purposes hereinafter provided may be employed in the business of the Company or its Subsidiaries; and (b) the Company shall not be obliged to set aside to the credit of such special account in any year if or to the extent that the total amount to the credit of the said special account on the first (1st) day of May in such year would exceed five per cent (5%) of the aggregate par value of all the then outstanding Preferred Shares Series A.

Subject to the provisions of subparagraph C.(ii), the amount from time to time standing to the credit of the said special account shall be applied as soon as practicable to the purchase of Preferred Shares Series A (if obtainable) in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the par value thereof plus all unpaid preferential dividends which for such purpose shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of such purchase, and costs of purchase; if and to the extent to which Preferred Shares Series A cannot be so purchased at prices not exceeding the said price subject as hereinafter provided the Company shall not be obligated to make any application of the said amount until such shares in the opinion of the board of directors can be so purchased and so on from time to time so long as any of the Preferred Shares Series A shall be outstanding. Any Preferred Shares Series A purchased under the provisions of this paragraph shall be deemed to be redeemed and shall not be reissued.

The Company may at any time anticipate the whole or any part of its Preferred Shares Series A purchase fund obligations by purchasing or redeeming Preferred Shares Series A by one or more of the methods provided by paragraphs 4 and 5 of the rights, restrictions, conditions and limitations attaching to the Preferred Shares as a class and crediting the cost thereof, not exceeding the costs of purchase, in reduction of the amounts of any Preferred Shares Series A purchase fund obligations thereafter becoming due.

(iv) The Company shall not without, but may from time to time with, the approval of the holders of the Preferred Shares Series A:

- (a) increase the authorized number of Preferred Shares or create or issue any class of shares ranking in priority to or *pari passu* with the Preferred Shares; or
- (b) issue any Preferred Shares in addition to the Preferred Shares Series A (hereinafter in this subparagraph (b) called "additional shares") unless Consolidated Net Earnings of the Company and its Subsidiaries for any period of twelve (12) consecutive months out of the eighteen (18) months immediately preceding the date of issue of such additional shares shall have been at least equal to one and three-quarters (1¾) times the maximum annual dividend requirements on all the Preferred Shares to be outstanding immediately after such issue; provided that any Preferred Shares outstanding at the time of any issue of additional shares as aforesaid which are to be retired within sixty (60) days following such time shall be deemed not to be outstanding immediately after such issue of additional shares if such outstanding Preferred Shares shall have been duly called for redemption as of a date within such period of sixty (60) days and if adequate provision has been made assuring that such shares will be redeemed on the date so specified for redemption; or
- (c) subject to the provisions of the Companies Act, redeem, purchase, reduce or otherwise pay off any shares ranking junior to the Preferred Shares (except out of the proceeds of an issue of shares ranking junior to the Preferred Shares made prior to or contemporaneously with any such redemption, purchase, reduction or other payment off),
 - (i) unless all dividends, up to and including the dividend payable on the last preceding dividend payment date, on all the Preferred Shares then issued and outstanding shall have been declared and paid or provided for, and
 - (ii) if, after giving effect thereto, the aggregate amount of the capital paid up on the Common Shares and any other shares of the Company ranking junior to the Preferred Shares plus the Consolidated Earned Surplus (both as at the date of such redemption, purchase, reduction or other payment off) would be less than the sum of one million dollars (\$1,000,000); or
- (d) create, assume or guarantee any Funded Obligations, or permit any Subsidiary to create, assume or guarantee any Funded Obligations except in favour of the Company or any other Subsidiary, unless average Consolidated Income for the three (3) fiscal years of the Company next preceding the date of issue of such Funded Obligations shall have been at least three (3) times the maximum annual interest requirements on all Funded Obligations of the Company and its Subsidiaries which will be outstanding after the creation, assumption or guarantee of the Funded Obligations proposed to be created, assumed or guaranteed, provided, however, that any Funded Obligations to be retired out of the proceeds of the Funded Obligations to be created, assumed or guaranteed shall not be considered to be outstanding for the purpose of this paragraph, and provided, further, that the restrictions contained in this paragraph shall not apply to or operate to prevent the renewing or refunding of any Funded Obligations to the extent of the principal amount of any such Funded Obligations at the time of such renewal or refunding; or
- (e) sell or otherwise dispose of any Funded Obligations or shares of a Restricted Subsidiary or permit any Restricted Subsidiary to issue, sell or otherwise dispose of (except to the Company or a Restricted Subsidiary) any shares of such Restricted Subsidiary; or
- (f) sell or otherwise dispose of or permit any Restricted Subsidiary to sell or otherwise dispose of (except to the Company or to a Restricted Subsidiary) by conveyance, transfer, lease or otherwise the whole or any substantial part of the undertaking and assets of the Company or of any Restricted Subsidiary, as the case may be; or
- (g) take any action or permit any Restricted Subsidiary to take any action which would or could result in any Restricted Subsidiary ceasing to be a Restricted Subsidiary.

D. In these provisions the following terms shall have the following respective meanings:

- (i) "Subsidiary" means any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are for the time being owned by or held for the Company and/or any Subsidiary of the Company and includes any corporation or company in like relation to a Subsidiary. "Voting Shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened. "Restricted Subsidiary" means (a) Dale and Company (Limited), a company incorporated under the provisions of the first part of chapter 79 of the Revised Statutes of Canada, 1906, known as "The Companies Act", by letters patent dated the twelfth (12th) day of January, one thousand nine hundred and nine (1909), or any successor company or (b) any other company consolidated, amalgamated or merged with Dale and Company (Limited) or with any other Restricted Subsidiary or (c) any com-

pany to which Dale and Company (Limited) or any other Restricted Subsidiary has transferred the whole or any substantial portion of its undertaking and assets.

(ii) "Consolidated Net Earnings" means all the gross earnings and income of the Company and its Subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its Subsidiaries (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice, after making due allowance for minority interests, if any, and after proper allowance for depreciation, depletion, amortization and taxes (including income taxes). The net earnings of any Subsidiary for the purpose of this definition shall only include the net earnings of such Subsidiary from the date when such Subsidiary became a Subsidiary of the Company, subject as hereinafter provided. Provided however that, if, at the time of determining Consolidated Net Earnings for any past period for the purposes of the foregoing subparagraph C. (iv) (b) and determining Consolidated Income for the purposes of the foregoing subparagraph C. (iv) (d), the Company or any Subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such other company already owned by the Company or a Subsidiary to result in such other company becoming a Subsidiary) and if the net proceeds of the then proposed issue of Preferred Shares or Funded Obligations are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to which a resolution of the directors shall be conclusive and binding), then the net earnings or net losses of such property or such other company for the same past period (calculated in accordance with the provisions herein contained respecting Consolidated Net Earnings) shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of Consolidated Net Earnings.

Consolidated Net Earnings shall be determined by the auditors of the Company whose determination shall be conclusive and binding on the Company and the holders of shares of every class.

(iii) "Consolidated Earned Surplus" means the Consolidated Net Earnings since the date of incorporation of the Company less all dividends declared and/or paid (other than in shares of the Company's capital) on all shares of all classes of the Company's capital and all items which in accordance with generally accepted accounting practice are properly chargeable to earned surplus, the whole as determined on a consolidated basis in accordance with generally accepted accounting practice.

(iv) "Consolidated Income" for any fiscal year of the Company means the Consolidated Net Earnings for such year except that in the determination thereof there shall be added back all amounts deducted in the computation thereof in respect of income taxes and interest on Funded Obligations.

(v) "Funded Obligations" means any indebtedness, whether secured or unsecured, incurred by way of issue, pledge, assumption or otherwise, the principal amount of which is not payable on demand and the due date of payment of which principal amount, including any right of extension or renewal, is eighteen (18) months or more after the date on which it is incurred and any liability (contingent or otherwise) in respect of any guarantee of any such indebtedness of any person, firm or corporation (other than the Company or any Subsidiary) but does not include any Purchase Money Obligation or Mortgage Debt or bankers' advances in the ordinary course of business.

(vi) "Purchase Money Obligation" means any indebtedness created, assumed or guaranteed as part of the purchase price of property acquired, whether or not secured, and any extensions, renewals or refundings of any such indebtedness, provided that the principal amount of such indebtedness outstanding on the date of such extension, renewal or refunding is not increased.

(vii) "Mortgage Debt" means any indebtedness incurred by way of loan and secured by a first fixed and specific mortgage, hypothec or charge on or of real or immoveable property, provided such mortgage, hypothec or charge is not constituted by a trust deed, trust indenture or other instrument in favour of a trustee for the holder or holders of such indebtedness.

E. Subject to the provisions of the Companies Act, the approval of holders of the Preferred Shares Series A as to any and all matters hereinbefore in paragraphs A., B. and C. referred to may be given in writing by the holders of at least a majority of the outstanding Preferred Shares Series A or by compromise or arrangement under the Companies Act or by resolution passed or by by-law sanctioned at a meeting of holders of Preferred Shares Series A duly called for the purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding Preferred Shares Series A are present or represented by proxy and carried by not less than two-thirds ($\frac{2}{3}$) of the votes cast on a poll at such meeting. If at any such meeting the holders of a majority of the outstanding Preferred Shares Series A are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than fifteen (15) days later and to such time and place as may be appointed by the chairman of the meeting and at least ten (10) days' notice shall be

given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares Series A present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by not less than two-thirds ($\frac{2}{3}$) of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares Series A referred to above.

Each Common Share carries the right to one vote at all meetings of shareholders of the Company.

The Preferred Shares Series A offered by this prospectus rank ahead of the Common Shares offered by this prospectus. No bonds or debentures are outstanding or are now proposed to be issued and, save as aforesaid, no other securities have been issued or are proposed to be issued which if issued will rank ahead of or *pari passu* with the securities offered by this prospectus.

No substantial indebtedness is proposed to be created or assumed which is not shown in the pro forma consolidated balance sheet of the Company and its subsidiary companies as at July 31, 1964, forming part of this prospectus.

(e) No securities of the Company are covered by options outstanding or proposed to be given by the Company but reference is made to the underwriting agreement referred to in paragraph (k) hereof. Reference is also made to the reservation by the underwriters under said agreement, out of the securities offered hereby, of 100,000 Common Shares for sale to senior employees of the Company and Dale and its subsidiaries as referred to in said paragraph (k).

(f) The number of shares of each class offered by this prospectus are as stated on the facing pages of this prospectus, reference to which is hereby expressly made. The sale price thereof to the public is \$10 per Preferred Share Series A and \$5 per Common Share in units of 2 Preferred Shares Series A and 1 Common Share, payable in full in cash on delivery of certificates. The sale price of the common shares offered hereby, other than in units, is \$5 per share. Reference is made to the statement appearing on the face page hereof to the effect that the offer of securities under this prospectus is subject to the acquisition by the Company of not less than 90% of the outstanding common shares of Dale. Reference is made to paragraph (m) hereof. No other securities have been offered for subscription but the incorporators of the Company subscribed for a total of 10 Common Shares and paid for them at the price of \$5 each in cash.

(g) The specific purposes for which the securities offered by this prospectus are to supply funds are: to pay the purchase price of the common shares of Dale as referred to in paragraph (m) hereof, estimated at \$1,840,000 and expenses relating to said purchase estimated at \$25,000 on the basis that 95% of the outstanding common shares of Dale will be acquired, to pay commissions referred to in paragraph (k) hereof and to pay preliminary expenses and the legal, auditing and other expenses mentioned in paragraph (i) hereof. The balance of such proceeds will be added to the general funds of the Company to be available for possible expansion of the business and other corporate purposes of the Company and Dale and its subsidiaries. No provision has been made for the holding in trust of any of the proceeds of such sale.

(h) The aggregate remuneration estimated to be paid or payable during the first financial period of the Company, commencing on the date of the incorporation of the Company and ending on December 31, 1964, to directors is estimated not to exceed \$200, and to officers who individually may be entitled to receive remuneration in excess of \$10,000 per annum is nil.

(i) The estimated net proceeds to be derived by the Company from the sale to the Underwriters of the securities offered by this prospectus is \$2,800,000 after payment of commissions of \$150,000 to underwriters, as referred to in paragraph (k) hereof, and expenses, including preliminary expenses of the Company and the legal, auditing and other expenses in connection with the issue of the shares offered by this prospectus, estimated not to exceed \$50,000 in the aggregate.

(j) As not less than all of the shares offered by this prospectus will be issued, no minimum amount in the opinion of the directors must be raised by the issue of the said shares to provide the sums required or the balance of the sum required to pay the purchase price of any property, to meet preliminary expenses or commissions payable by the Company, to repay moneys borrowed by the Company in respect of the foregoing matters or to repay bank loans. Reference is, however, made to paragraph (g) hereof.

(k) By an agreement dated November 26, 1964, (hereinafter called the "underwriting agreement") made between the Company and Deacon Findley Coyne Limited as underwriters (herein sometimes referred to as the "Underwriters"), the Company has agreed to sell and the Underwriters have agreed on their own behalf to purchase, subject to the terms and conditions therein set forth, 200,000 Preferred Shares Series A of the par value of \$10 each and 200,000 Common Shares without nominal or par value in the capital stock of the Company at the price of \$10 per Preferred Share Series A and \$5 per Common Share, for an aggregate consideration of \$3,000,000 payable in cash against delivery of certificates representing the said 200,000 Preferred Shares Series A and 200,000 Common Shares on or about December 10, 1964. The Company has agreed, in consideration of the Underwriters subscribing for the said 200,000 Preferred Shares Series A and 200,000 Common Shares to pay the Underwriters a commission at the rate of 50c for each Preferred Share and 25c for each Common Share. Under the terms of the agreement

100,000 Common Shares will be reserved for sale to senior employees of the Company and Dale and its subsidiaries at a price of \$5 per share.

Apart from the foregoing, no commission has been paid within the two preceding years or is payable as a commission by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures or obligations of the Company.

The terms of the underwriting agreement provide that the obligation of the Company to sell, and of the Underwriters to purchase, the 200,000 Preferred Shares Series A and 200,000 Common Shares is conditional upon (1) the satisfaction of all the terms and conditions, or the waiver as to non-compliance thereof by the Underwriters, of the Offer made by the Underwriters on November 11, 1964, to the holders thereof to purchase all the outstanding common shares of Dale as more particularly referred to in paragraph (m) hereof and the purchase by the Underwriters of all the common shares of Dale in respect of which the offer has been accepted; (2) the declaration by Dale, following such purchase by the Underwriters, of a dividend on the outstanding common shares of Dale in the aggregate amount of \$922,250, and (3) the resale by the Underwriters to the Company at the price of \$250 per share of all the common shares of Dale so purchased by the Underwriters.

(l) The amount of the preliminary expenses of the Company and the expenses of the issue of the shares offered by this prospectus is estimated at \$50,000.

(m) The Underwriters have made an offer (herein referred to as the "Offer") dated November 11, 1964, to the holders thereof to purchase all the outstanding common shares without nominal or par value (herein referred to as the "common shares of Dale") in the capital stock of Dale at the price of \$369 per share. Upon and subject to the satisfaction of all the terms and conditions of the Offer (or the waiver as to noncompliance thereof by the Underwriters), including, among others, the acceptance of the Offer by the holders of not less than 90% of the common shares of Dale, the Underwriters will take up all the common shares of Dale in respect of which the Offer shall have been accepted. The Underwriters will not take up less than 90% of the common shares of Dale. At the date hereof, however, the holders of over 95% of the common shares of Dale have accepted the Offer. Pursuant to the terms of the underwriting agreement referred to in paragraph (k) hereof, the Company will purchase all of the common shares of Dale in respect of which the Offer shall have been accepted at the price of \$250 per share, and the offer of the shares under this prospectus is accordingly subject to said purchase being made by the Company. The expenses of the acquisition of the common shares of Dale are estimated at \$25,000.

(n) The names and addresses of each registered holder of more than 10% of the outstanding common shares of Dale who may accept the Offer for the purchase of their shares made by the Underwriters as referred to in paragraph (m) hereof and which shares, if acquired, are proposed to be resold to the Company as referred to in said paragraph are Sidney Melville Ross, 3497 Holton Avenue, Montreal, Quebec, and the Estate of the late Charles Gilbert Ross, 3497 Holton Avenue, Montreal, Quebec. Included in the purchase price of the common shares of Dale is \$138,250, attributable as to \$100,000 to goodwill of Dale upon its incorporation and as to \$38,250 to goodwill of certain subsidiaries of Dale at the time of acquisition.

(o) Within the two years preceding the date of this prospectus, no securities of the Company have been issued or agreed to be issued as fully or partly paid up otherwise than in cash.

(p) No debentures or obligations are offered by this prospectus.

(q) Exclusive of services rendered or to be rendered to the Company in the ordinary course of business and legal, auditing and other services in connection with the incorporation and organization of the Company, the issue of securities offered by this prospectus and the acquisition of the common shares of Dale, no services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the sale of securities hereby offered.

(r) No amount has been paid within the two years preceding the date of this prospectus or is intended to be paid to any promoter of the Company as such.

(s) Apart from contracts entered into in the ordinary course of business carried on or intended to be carried on, the Company has entered into no material contracts except the underwriting agreement referred to in paragraph (k) hereof. Copies of the foregoing agreement and of the Offer referred to in paragraph (m) hereof may be inspected within ordinary business hours at the head office of the Company at 1155 Dorchester Boulevard West, Montreal, Quebec, and during the period of primary distribution to the public of the securities offered by this prospectus at Suite 440, 48 Yonge Street, Toronto, Ontario.

(t) The by-laws of the Company contain the following provisions as to remuneration of directors: "Each of the directors shall receive such remuneration as the Board of Directors of the Company shall fix, from time to time, by resolution."

(u) Sidney Melville Ross, Cris Arthur Bird, William Boaden Burns and Wilfred McClelland Adams are directors of the Company and hold 1,140 shares, 640 shares, 460 shares and 230 shares respectively of the common shares of Dale (Sidney Melville Ross has an ultimate one-third interest in the estate of the late Charles Gilbert Ross) and are among the offerees of the Offer dated November 11, 1964 by the Underwriters to the shareholders of Dale referred to in paragraph (m) hereof, and upon their acceptance of such Offer, subject to the terms and conditions thereof, their shares will be purchased by

the Underwriters and resold to the Company upon and subject to the terms and conditions set forth in the underwriting agreement dated November 26, 1964, referred to in paragraph (k) hereof. Donald Arthur Jewitt is a director of the Underwriters which will be entitled to be paid the commissions referred to in paragraph (k) hereof. Save as aforesaid, no sum has been paid or agreed to be paid to any director in cash, securities or otherwise by any person either to induce him to become or qualify him as a director or otherwise for services rendered by him or by any firm of which he is a member.

(v) No amount has been set aside as distributable surplus out of the purchase price of the 10 Common Shares subscribed for by the incorporators of the Company and no amount is proposed to be so set aside out of the purchase price of the Common Shares offered by this prospectus.

(w) The Company will commence business upon the date of acquisition by the Company from the Underwriters of outstanding common shares without nominal or par value in the capital stock of Dale pursuant to the agreement referred to in paragraph (m) hereof. Dale commenced business in 1909 although the business it acquired had been carried on since 1864 by its predecessors. The Company does not propose to acquire any business which has been in operation for less than three years.

(x) The directors of the Company whose names appear in paragraph (b) of this Statutory Information hold all the 10 outstanding Common Shares in the capital stock of the Company and are, therefore, at present, as a group only, in a position to elect or cause to be elected a majority of the directors of the Company. Reference is made to the fact that, as stated in paragraph (k) of this Statutory Information, 100,000 of the Common Shares offered by this prospectus will be reserved for sale to senior employees of the Company and Dale and its subsidiaries. The precise numbers of shares that may be purchased by such employees have not yet been ascertained but if all are purchased by such employees it is expected that they, as a group only, will be in a position to elect or cause to be elected a majority of the directors of the Company.

(y) No securities of the Company are, to the knowledge of the signatories hereto, held in escrow.

(z) No dividends have been paid by the Company.

(za) There are no other material facts not disclosed in the foregoing.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Part VII of the Securities Act, 1962 (British Columbia), by Part IX of The Securities Act, 1955 (Alberta), by Section 39 of the Securities Act, 1954 (Saskatchewan), by Section 39 of The Securities Act (Ontario), under the Quebec Securities Act and by Section 13 of The Security Frauds Prevention Act (New Brunswick), and there is no further material information applicable other than in the financial statement or reports where required or exigible.

DATED November 27, 1964.

Directors

(Signed) S. M. Ross

CRIS ARTHUR BIRD
By: (Signed) S. M. Ross, his agent

(Signed) D. A. JEWITT

WILLIAM BOADEN BURNS
By: (Signed) S. M. Ross, his agent

(Signed) W. M. ADAMS

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Part VII of the Securities Act, 1962 (British Columbia), by Part IX of The Securities Act, 1955 (Alberta), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 39 of The Securities Act (Ontario), under the Quebec Securities Act and by Section 13 of The Security Frauds Prevention Act (New Brunswick), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

DEACON FINDLEY COYNE LIMITED

by (Signed) D. A. JEWITT

The following are the names of all persons having an interest directly or indirectly to the extent of not less than 5% in the capital of Deacon Findley Coyne Limited: F. C. Deacon, J. S. Deacon, J. Reg. Findley, D. M. Deacon, R. D. Telfer, J. W. Hetherington, H. J. Knight, D. A. Jewitt and J. C. Moorhouse.